



STATE OF WASHINGTON
DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT
Energy Policy Division
925 Plum Street SE, Bldg. 4 • PO Box 43173 • Olympia, Washington 98504-3173 • (360) 956-2096

July 14, 2003

Carole Washburn, Secretary
Washington Utilities and Transportation Commission
PO Box 47250
Olympia, WA 98504-7250

**RE: DOCKET NO. UE-030596 COMMENTS ON AVISTA'S 2003 INTEGRATED
RESOURCE PLAN**

Dear Ms. Washburn:

Thank you for providing external stakeholders the opportunity to offer comments on Avista's (the Company) 2003 Integrated Resource Plan (IRP). I am submitting comments on behalf of the Energy Policy Division of the Department of Community, Trade and Economic Development. Our involvement in the Company's Technical Advisory Committee (TAC) was limited; I attended the final TAC meeting to review the draft plan. The intent of our comments here are to highlight some of the particularly instructive analyses that the Company undertook and to offer suggestions for further analyses and expanded explanations that would be useful in the Company's next IRP. We recognize that the Company has historically produced an IRP according to its biennial schedule and is not at this time pursuing resource acquisition. We recommend the Commission accept this report from the Company as its final 2003 Least Cost Plan.

Earlier this year we completed an update of the State Energy Strategy. The first guiding principle, adopted by our advisory committee placed a great deal of importance on integrated resource planning, "Encourage all load-serving entities to adopt and implement integrated resource plans to ensure that they meet their obligation to serve their customers' projected long term energy and capacity needs." The Company's recent IRP indicates that they take this obligation to serve customers seriously. The Company's IRP includes some thorough analyses of WECC loads and resources as well as their own loads, resources, and future resource options. Their IRP indicates a desire

to balance price volatility and risk with low cost resources as they acquire resources to serve their customers needs. This risk analysis is summarized in such visuals as Chart 7.9 *Distribution of Net Power Supply Expense*. We perceive this desire to balance low cost and low risk to be consistent with the recommendations in the State Energy Strategy. We recommend that, in the future, the Company expand its risk factors beyond hydropower generation, natural gas price, and WECC load variability to include the risks associated with potential mitigation costs of power supplies that release carbon dioxide, mercury, or air toxins.

Because we see value in the IRP as a reference document and as a tool that includes methodologies for analyzing future investments there were several issues that we believe need expanded explanations or analysis. Some of these might be addressed in greater detail in the Company's next IRP.

Given a Preferred Resource Strategy include analysis of the value, costs, risks and benefits – if any- of owning these resources versus purchasing these resources through contracts.

Section 8 indicates that the Company has succeeded in renegotiating hydropower contracts with Grant PUD for output from Priest Rapids and Wanapum dams. Yet Table A.1 indicates that the purchase from these projects drops from 71 aMW in 2004 to 19.2 aMW in 2014. A brief explanation might clarify the Company's situation with regards to these projects.

The 2003 Action Plan for supply-side resources includes item 3, "Consider and evaluate the potential to add coal facilities to the Company's mix of existing generating resources." We would like this evaluation to include an assessment of the environmental costs associated with coal generation particularly related to mercury, carbon dioxide, and air toxins. Issues of environmental externalities and others related to further coal development in the Northwest were raised briefly in Appendix P in the Northwest Power Planning Council's work.

Provide a brief description of the Company's purchase of 100 MW of flat power during the 2001-2002 timeframe for use during 2004-2010.

Appendix H includes an interesting and useful summary of wind assessments and wind costs. We appreciate the Company's commitment to continue to further investigate the wind resource available to it. To minimize the cost of near-term studies we hope that these investigations may be able to occur in a collaborative fashion with other regional stakeholders. We encourage the Company to expand its estimates of wind integration costs to include a range that reflects both the low and high ends of the range. Another item to include in a discussion of wind resources is to indicate whether any of the resource is physically available in the Company's service territory. This may be of particular value to a company focused on local economic development as property owners may lease their land for \$1,000-\$3,800 per turbine per year for two to three decades.¹ Finally, if the Company is not acquiring wind to meet a state or federal standard, there may be an economic value in selling green tags or CO2 credits affiliated with their wind purchase to effectively lower the price of wind power purchases.

We appreciate that the Action Plan identifies a fall meeting to discuss the integration of demand side management (DSM) into the 2005 IRP process. This issue was raised at the last TAC meeting during the review of the draft plan. Company staff endeavored to include a DSM analysis into the final plan. They did so, but it has shortcomings such as it is missing supply curves that highlight the inclusion of specific conservation measures. We look forward to further analysis and the inclusion of actual DSM targets in the 2005 IRP. Currently, we note an inconsistency between the Company's annual conservation targets and the draft analysis of conservation potential by the Northwest Power Planning Council that indicates a proportionally greater resource is available within the region.

It would be useful to include post-2001 WECC load data in the next IRP. Rate structures and or load management programs instigated during the 2001 energy crisis may have resulted in altered energy use patterns that may continue for years. Also, we recommend including one or two alternative load growth scenarios in addition to the 3.2% compounded annual growth scenario included in the IRP.

¹ Sources for value of leasing land to wind turbines include: ECONorthwest, *Economic Impacts of Wind Power in Kittitas County*, page 10, October 2002. *The Effect of Wind Energy Development On State and Local Economies*, page 2, January 1997, <http://www.nationalwind.org/pubs/wes/wes05.htm>. Steven Clemmer, Union of Concerned Scientists, *Strong Winds*, page 7, 2001.

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CTED thanks the Company for investing the time and resources to produce a constructive, valuable IRP. We look forward to participating in the TAC as the Company develops its 2005 IRP.

Sincerely,

Elizabeth C. Klumpp
Senior Energy Policy Analyst

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